



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 29, 2007

### **H.R. 3890** **Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2007**

*As ordered reported by the House Committee on Foreign Affairs  
on October 23, 2007*

#### **SUMMARY**

H.R. 3890 would expand the current financial and diplomatic restrictions against government officials from Burma and would further restrict imports from that country. It also would authorize the appropriation of funds to aid individuals and organizations to promote democracy in Burma. CBO estimates that implementing H.R. 3890 would cost \$5 million in 2008 and \$36 million over the 2008-2012 period, assuming the appropriation of the necessary amounts. In addition, enacting the bill would have an insignificant effect on direct spending.

H.R. 3890 also would eliminate the need for annual extensions by the Congress on the ban of all imports from Burma and would repeal the six-year maximum for those extensions. It would ban the importation of all geological and mineral materials originating from Burma that pass through other countries. It also would prohibit certain tax benefits for persons doing business with Burma. CBO estimates that enacting H.R. 3890 would reduce federal revenues by less than \$500,000 in 2008, by about \$8 million over the 2008-2012 period, and by \$18 million over the 2008-2017 period, net of income and payroll tax offsets.

CBO reviewed the non-tax provisions of H.R. 3890 and determined that the provisions contain private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA). The bill would extend the one-year ban on imports from Burma until the Congress or the President terminate the ban. The bill also would expand the existing ban on Burmese imports to include any gems mined or extracted from Burma. CBO cannot estimate the cost of those mandates because information on the value of lost profits to importers resulting from the ban is not available. Thus, CBO cannot determine whether the aggregate direct cost of the mandates would exceed the annual threshold for private-sector mandates established in UMRA (\$131 million in 2007, adjusted annually for inflation).

CBO has reviewed the non-tax provisions of H.R. 3890 and has determined that they contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3890 is shown in the following table. The costs of this legislation fall mostly within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Authorization Level	20	20	0	0	0
Estimated Outlays	5	11	10	6	4
<b>CHANGES IN REVENUES <sup>a</sup></b>					
Estimated Revenues	*	-2	-2	-2	-2

Note: \* = between zero and -\$500,000.

a. In addition to the revenue effects shown here, H.R. 3890 would have additional effects on revenues after 2012. The estimated changes (net of income and payroll tax offsets) decrease revenues by \$8 million over the 2008-2012 period and by \$18 million over the 2008-2017 period.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3890 will be enacted before the end of calendar year 2008, that the specified authorization amounts will be appropriated near the beginning of each fiscal year, and that outlays will follow historical patterns for similar programs.

### Spending Subject to Appropriation

Section 5 would authorize the appropriation of \$20 million for each of fiscal years 2008 and 2009 to aid democracy and human rights activists and organizations and humanitarian workers. The funds could be used by those inside or outside Burma to promote democracy and human rights through various means, including using radio and television programs to promote democracy and compiling evidence of human rights violations. CBO estimates that

implementing this provision would cost \$5 million in 2008 and \$36 million over the 2008-2012 period, assuming the appropriation of the authorized amounts.

Other provisions of the bill would have an insignificant effect on spending subject to appropriation. Section 3(d) would freeze any assets of certain Burmese government officials and their families that are held by the U.S. government or by U.S. financial institutions. Section 6 would require the Secretary of State to issue a report containing a list of countries, companies, and other entities that provide military and intelligence aid to the military regime and a description of such aid.

### **Direct Spending**

Section 3 would expand the number of people whose assets must be frozen by the Secretary of the Treasury and who would be denied a visa by the Secretary of State. Under current law, leaders of the military regime are prohibited from receiving visas to travel to the United States. H.R. 3890 would expand the visa ban to any Burmese government official or military member who was involved in the repression of recent public protests or who has engaged in the violation of human rights. The ban would also extend to the immediate family members of these individuals. CBO estimates that enacting this provision would have an insignificant effect on direct spending.

### **Revenues**

Imports into the United States from Burma have been banned on a year-by-year basis since the enactment of the Burmese Freedom and Democracy Act of 2003. Public Law 110-52, enacted in the summer of 2007, renewed the ban for one additional year through its current expiration date of July 28, 2008. H.R. 3890 would repeal the expiration date. Under the bill, the President or the Congress would have the authority to lift or waive the ban. For purposes of this cost estimate, CBO assumes that the ban would continue for all years through 2017.

In the years immediately before the ban went into effect, over half of all U.S. imports from Burma were knitted or crocheted clothing and apparel goods. The remaining imports included apparel items not knitted or crocheted, certain types of fish and crustaceans, goods made of wood, certain precious and semiprecious stones and metals, and woven fabrics and tapestries. In 2001 and 2002, roughly 80 percent of duties collected on these imports came from knitted and crocheted articles. CBO assumes that most of the banned imports would be replaced with imports from other countries.

The bill places an additional ban on the importation of all geological and mineral materials originating in Burma. This includes jewelry set with Burmese gemstones that are imported from other nations. CBO estimates that such a ban would not have a significant effect on customs duties over the 2008-2017 period.

CBO estimates that continuation of the import ban would reduce customs duties. Based on data from the U.S. International Trade Commission on recent U.S. imports from Burma, information from several government agencies, and CBO's most recent forecast for total U.S. imports, CBO estimates that enacting H.R. 3890 would reduce federal revenues by less than \$500,000 in 2008, by about \$8 million over the 2008-2012 period, and by \$18 million over the 2008-2017 period, net of income and payroll tax offsets.

The President or the Congress could remove the ban on imports upon Burma's compliance with the bill's conditions for the progression toward democratization. CBO has no basis for estimating the likelihood of such political change. Should the ban be lifted, U.S. companies would be allowed to resume importation of goods produced, manufactured, grown, or assembled in Burma. If the President or the Congress were to exercise such authority during the 2008-2017 period, the impact on customs duties would be reduced accordingly.

The Joint Committee on Taxation estimates that there would be an insignificant revenue effect for enacting a provision of this bill that would prohibit a tax deduction or credit for amounts paid or incurred with respect to certain parties, including the Burmese government.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

CBO has reviewed the non-tax provisions of H.R. 3890 and has determined that they contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

CBO reviewed the non-tax provisions of H.R. 3890 and determined that the provisions contain private-sector mandates, as defined in UMRA. The bill would extend the one-year ban on imports from Burma until the Congress or the President terminate the ban. The bill also would expand the existing ban on Burmese imports to include any gems (as defined in the bill) mined or extracted from Burma. CBO cannot estimate the cost of those mandates because information on the value of lost profits to importers resulting from the ban is not available. Thus, CBO cannot determine whether the aggregate direct cost of the mandates

would exceed the annual threshold for private-sector mandates established in UMRA (\$131 million in 2007, adjusted annually for inflation).

## **PREVIOUS CBO ESTIMATES**

On July 25, 2007, CBO completed an estimate for H.J. Res. 44, approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, as cleared by the Congress on July 24, 2007. On July 30, 2007, CBO completed an estimate for S.J. Res. 16, a joint resolution approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, as reported by the Senate Committee on Finance on July 24, 2007. Section 1 of H.J. Res 44 and S.J. Res 16 would extend the ban on imports from Burma through July of 2008. Section 3 of H.R. 3890 would make the ban permanent; thus, it would have an effect on revenues for the remainder of the 2008-2017 period. As a result, CBO estimates H.R. 3890 would have a larger effect on revenues than the earlier legislation. In addition, both resolutions and H.R. 3890 include private-sector mandates as defined in UMRA. CBO could not estimate the cost of the mandates for the two resolutions because information on the value of lost profits to importers resulting from the ban was not available.

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